

DDS 64-347

MEMORANDUM FOR: Executive Director-Comptroller

24 JUN 1964

SUBJECT: Civil Service and Proposed CIA Retirement Systems

1. This memorandum is for your information and is in response to your request for a briefing paper on the Civil Service and proposed CIA Retirement Systems. All regular staff employees of the Agency are now covered under the Civil Service system.

2. General Features of Both Systems

a. Both systems are contributory, the employee and the employing agency each pay into the retirement fund 6% of the employee's base pay. Both systems provide for additional voluntary contributions by the employee to purchase an additional annuity. The amount depends on his age at retirement.

b. Annuities under either system are computed on the employee's average salary for his highest-paid five consecutive years of service and his total years of service. The Civil Service formula is 1 1/2% for the first five years, 1 3/4% of the next five, and 2% for the remainder. The proposed CIA formula is a straight 2%.

c. Both systems require a minimum of 5 years of service to qualify for retirement benefits. Employees separated with less than 5 years of service receive a refund of their contributions. Both systems permit credit for prior civilian and most military service.

3. Retirement Benefits and Eligibility Requirements

a. Voluntary or Optional Retirement: Under Civil Service, an employee may retire on his own request at age 60 with 30 years of service or at 62 with 5 years of service; he may also retire at 55 with 30 years of service but his annuity is reduced 1% for each year he is under 60. Under the proposed CIA system, an employee may retire on his own application and with the consent of the Director at age 50 with 20 years of service; there is no reduction in his annuity for being under age 60.

The Agency has departed from normal Civil Service practice by adopting a policy which expects employees to retire as soon as they are eligible for optional retirement, without a reduction in earned annuity, unless they are asked to remain in service. At present, 130 employees are serving on extensions; 103 of these were approved by the Deputy Director concerned and 27 by the Board.

b. Discontinued Service Retirement: Under Civil Service, an employee who is involuntarily separated (or resigns in lieu thereof) is eligible for an immediate annuity if he is (1) age 50 with 20 years of service or (2) any age with 25 years. However, his annuity is reduced 1% for each year he is under 60 down to 55 and 2% for each year he is under 55 down to 50.

Under the proposed CIA system, the Director may involuntarily retire an employee in GS-14 or above if he has 10 years of CIA service including 5 years of "qualifying service" under the system. There is no reduction in his annuity for being under 60. If the employee does not meet the service requirements, he may be involuntarily "retired" but receives the benefits of a GS-13. The Director may

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also involuntarily "retire" an employee in GS-13 and below and the employee will receive separation compensation computed at the rate of one month's salary for each year of service up to 12 years. The employee may elect also to receive either (1) a refund of his retirement contributions or (2) a deferred annuity at age 60.

c. Disability Retirement: Under either system, an employee may be retired if he becomes disabled. There is no reduction in his annuity for being under age 60. He is guaranteed a minimum annuity of the lesser of 40% of his high-five salary or an annuity based on service to age 60.

d. Mandatory Age Retirement: Under Civil Service, an employee must retire at age 70 unless he has less than 15 years of service, in which case he may continue until he has 15 years. Under the proposed CIA system, mandatory retirement age is 65 for employees in GS-13 and over and age 60 for those below GS-13.

4. Survivor Benefits

a. Benefits to Survivor of Retired Employee: Under either system, a retiring employee may elect to receive a reduced annuity in order to provide a survivor benefit for the widow or widower. Under Civil Service, the survivor annuity is 55% of the employee's basic annuity; under the proposed CIA system, it is 50%. Under Civil Service, the employee's annuity is reduced by 2½% of the first \$3600 plus 10% of the balance to provide a survivor annuity; under the proposed CIA system, it is reduced by 2½% of the first \$2400 and 10% of the balance.

b. Benefits to Person Named by Retiring Employee: Under either system, a retiring employee may name a person having an insurable interest in the life of the retiree to receive a survivor benefit. The amount of the reduction in the employee's basic annuity depends on the difference in the ages of the employee and the named person.

c. Death in Service Benefits: Under either system, the amount of death in service benefits depend on whether the employee is survived (1) by a widow or dependent widower only, (2) by a widow or dependent widower and a child or children, or (3) by a child or children only. The amount of annuity payable to a surviving child is the same under both systems: (a) if there is a surviving widow or dependent widower, each child receives the least of (1) 40% of the employee's high-five salary divided by the number of children; (2) \$600; (3) \$1800 divided by the number of children. If there is no surviving widow or dependent widower, each surviving child receives the least of (1) 50% of the employee's high-five salary divided by the number of children; (2) \$720; (3) \$2160 divided by the number of children.

Under Civil Service, a surviving widow or dependent widower receives an annuity of 55% of the annuity earned by the employee at the time of death but without reduction for being under age 60. Under the proposed CIA system, a surviving widow or dependent widower receives an annuity of 50% of the larger of (1) the employee's earned annuity at time of death, or (2) if the employee had less than 20 years of service, the annuity that he would have earned if he had remained in service for 20 years or until reaching mandatory retirement age for his grade, whichever is earlier.

5. Typical annuities are shown in Tab A.

/s/ Emmett D. Echols

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